



# Australian Bureau of Statistics

## 6524.0.55.002 - Estimates of Personal Income for Small Areas, 2012-13

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## Summary

### Regional Variations in Income (Overview)

#### REGIONAL VARIATIONS IN INCOME (OVERVIEW)

##### INTRODUCTION

The information in this release has been sourced from the Australian Tax Office (ATO). It presents regional data on the number of income earners and amounts they received in the 2012-13 financial year for the following categories; employee income, own unincorporated business income, investment income, superannuation and annuities, other income (excluding Government pensions and allowances) and total income.

These statistics enable users to analyse the level, composition and distribution of personal income in regions. They provide insights into the nature of regional economies and the economic well-being of the people who live there. Questions such as 'What is the median total income in my area?' or 'How does my region compare with a neighbouring area?' can be answered by using these data. Further analysis of regional income data can be undertaken by accessing the spreadsheets (or data cubes) attached to this article.

Information is presented for a variety of geographies, including Local Government Areas (LGAs), Statistical Area Level 2s (SA2) and Greater Capital City Statistical Areas (GCCSA), reflecting regions from the Australian Statistical Geography Standard (ASGS).

The Australian Bureau of Statistics (ABS) wishes to acknowledge the invaluable support of the ATO in compiling these statistics.

When interpreting these results, it should be noted that some low income earners, for example those receiving Government pensions and allowances, or those who earned below the tax free threshold, may not be present in the data, as they may not be required to lodge personal tax forms. More regional information on the number of people receiving Government pensions and allowances can be obtained from Data by Region.

Persons with income which was completely tax free or completely tax exempt are also excluded from the data. For example, a change to legislation relating to superannuation, taking effect from 1 July 2007, meant that people aged 60 years and over who receive superannuation income in the form of a lump sum or income stream (such as a pension) from a taxed source, receive that income tax free. If a person has no other income, or their total income is below the tax-free threshold, or any tax payable is mitigated by a tax offset, then this person may not be required to lodge a tax return. As a result the national estimate of superannuation and annuities income (\$10.3b) is understated. An alternative data source with fuller data coverage, the ABS Survey of Income and Housing, estimates a level of \$28.1b for superannuation pension stream income (excluding lump sum superannuation payments). For more information, please view the data cubes in Survey of Income and Housing, User Guide, Australia, 2013-14.

The ABS is currently investigating ways of achieving a fuller personal income account for regions, by incorporating other administrative data sources and statistical techniques. However, after taking into account the current limitations of the data, there is no doubt that the data set provides a rich source of relevant statistical information about personal income for regions across Australia. The ABS looks forward to further enhancing this data set in future editions.

##### NATIONAL SUMMARY

Total income (from all sources excluding Government pensions and allowances) for persons who submitted a tax return for the 2012-13 financial year was \$739.0 billion, with employee income contributing 77.9% of total income, followed by investment income (12.4%) and own unincorporated business income (7.5%).

As Table 1 shows the median total income for Australia in 2012-13 was \$44,940, while the mean was somewhat higher at \$58,389. The medians for employee, own unincorporated business, investment, superannuation & annuities, other and total income are all less than their means, reflecting positively skewed earnings distributions; that is, the income values tend to cluster towards the lower end of the scale - with a small number of high (or very high) incomes at the upper end of the scale. The median (i.e. the midpoint when all people are ranked in ascending order of income) is used throughout this section, as it is less impacted by extreme values and therefore more reflective of typical incomes.

**Table 1. SOURCES OF INCOME, 2012-13 - Australia**

Sources of Income	Number of earners (a)	Median age of earners	Income	Median income per earner (b)	Mean income per earner (b)	Source of income as % of Total income
			\$b	\$	\$	
	no.	years				%
Employee	10,279,468	39	605.4	48,030	58,893	77.9
Own unincorporated business	1,859,448	47	43.4	10,268	23,342	7.5
Investment	8,664,361	45	76.2	364	8,797	12.4
Superannuation & annuities (c)	408,401	59	10.3	18,079	25,105	1.6
Other (d)	1,516,403	50	3.8	112	2,474	0.5
<b>Total income (d) (e)</b>	<b>12,656,797</b>	<b>42</b>	<b>739.0</b>	<b>44,940</b>	<b>58,389</b>	<b>100.0</b>

(a) Persons may have more than one source of income.

(b) Means and medians are calculated using non-zero income earners for each source of income. See Explanatory Notes paragraphs 20 and 31 for more information.

(c) Data for Superannuation and annuities are understated. See Explanatory Notes, paragraphs 38 and 39, for more information.

(d) Excludes Government pensions and allowances.

(e) Totals may not exactly match the sum of components due to rounding.

## INCOME DISTRIBUTIONS

There are many ways to describe the income distribution of individuals across Australia. A selection of income indicators is presented below as well as in the data cubes attached to this publication. It is important to note that the story of income distribution provided may be imperfect for those regions with higher levels of low income earners, superannuated retirees or people living on pension benefits; these people may not be required to report part of their income or lodge tax returns at all. Hence their details may be excluded from the estimates. While there are limitations in the data presented, the data is unique in providing small area data and indicative estimates of the way personal income is distributed across Australia. For more information, please see the Explanatory Notes.

Percentile ratios provide one way of describing the spread of incomes. For Australia in 2012–13, the personal income of individuals at the top of the 80th percentile was 4.80 times higher than that of individuals at the top of the 20th percentile. This statistic varied in size across the states and territories, for example from 3.84 in the Northern Territory to 4.99 in Western Australia.

Another perspective is provided by considering the income share held at the top of the income distribution. For Australia, the per cent of total income held by the top 1% of earners was 9.3%, while the income held by the top 5% of earners was 22.6% and the top 10% held 33.7%. This also varied across the states and territories, for example from 6.4% held in the top 1% in the ACT, to 10.5% held by the top 1% in NSW.

There are other useful summary indicators which can reflect the distribution of income across the population. For example, the Gini coefficient summarises the distribution of total income in a single number which lies between 0 and 1, where values closer to 1 represent greater inequality. For this publication, the Gini coefficient has been calculated on gross individual income for people who submitted a tax return; the resultant value for Australia in 2012-13 was 0.480. For the states and territories the Gini coefficient ranged from 0.411 in the Northern Territory, up to 0.491 in New South Wales. Readers should note that the coefficients included in this publication are indicative only; they should be interpreted with care due to under-coverage issues associated with some types of income, for example superannuation. Also Government pensions and allowances data are excluded. See the Explanatory Notes, paragraphs 15 and 16, for more details.

**Table 2. SELECTED INCOME DISTRIBUTION INDICATORS, Gross individual income**

	NSW	VIC	Qld	SA	WA	TAS	NT	ACT	Aust.
Percentage share of total income received by persons in									
Top 1%	%	10.5	9.4	8.2	8.0	8.7	7.5	6.5	6.4 9.3
Top 5%	%	24.0	22.5	21.1	20.4	22.0	19.6	17.8	18.1 22.6
Top 10%	%	34.9	33.4	32.3	31.0	33.4	30.2	28.1	28.4 33.7
Ratio of incomes at top of selected income percentiles									
P80/P20	ratio	4.85	4.64	4.66	4.38	4.99	4.55	3.84	3.97 4.80
P80/P50	ratio	1.90	1.83	1.86	1.78	1.94	1.79	1.68	1.67 1.87
P20/P50	ratio	0.39	0.40	0.40	0.41	0.39	0.39	0.44	0.42 0.39
P10/P50	ratio	0.17	0.18	0.18	0.18	0.19	0.17	0.23	0.21 0.17
Gini coefficient	no.	0.491	0.474	0.468	0.450	0.480	0.450	0.411	0.415 0.480

## MEDIAN INCOME - STATE AND TERRITORY

The Australian Capital Territory recorded the highest median total income of all states and territories (\$58,613), followed by the Northern Territory (\$53,707) and Western Australia (\$51,465).

In 2012-13, median employee incomes were highest in the Australian Capital Territory (\$61,846), the Northern Territory (\$54,445) and Western Australia (\$53,446) and lowest in Tasmania (\$43,524).

Median individual income from own unincorporated businesses was highest in Western Australia (\$13,625), followed by the Northern Territory (\$11,283) and New South Wales (\$10,981) and lowest in Tasmania (\$7,781).

Victoria recorded the highest median investment income (\$437) in 2012-13, followed by New South Wales (\$413) and South Australia (\$348).

## GREATER CAPITAL CITY AND REST OF STATE REGIONS

Generally, across all income types, the greater capital city regions recorded higher median incomes than the rest of each state or territory in 2012-13. Some exceptions to this pattern: slightly higher median investment income was recorded by the rest of Victoria, Queensland and South Australia; and other income (excluding pensions and allowances) was slightly higher in the rest of Northern Territory (outside of Greater Darwin).

**Table 3. MEDIAN INCOME BY SOURCE (a) - Greater Capital City Statistical Areas and Rest of State/Territory, 2012-13**

Region	Employee	Own unincorporated business	Investment	Superannuation & annuities	Other Income (excl. Govt pensions & allowances)	Total income from all sources (excl. Govt pensions & allowances)
	\$	\$	\$	\$	\$	\$
New South Wales	<b>48,322</b>	<b>10,981</b>	<b>413</b>	<b>16,456</b>	<b>113</b>	<b>44,780</b>
Greater Sydney	50,422	13,475	433	14,885	125	47,281
Rest of NSW	44,560	7,473	370	18,318	93	40,702
Victoria	<b>46,644</b>	<b>9,778</b>	<b>437</b>	<b>13,789</b>	<b>105</b>	<b>43,867</b>
Greater Melbourne	48,053	11,141	429	14,261	115	45,533
Rest of Victoria	42,417	6,775	455	12,610	80	39,172
Queensland	<b>47,567</b>	<b>8,792</b>	<b>255</b>	<b>16,800</b>	<b>110</b>	<b>44,574</b>
Greater Brisbane	49,578	10,008	243	17,470	114	46,790
Rest of	45,600	7,991	263	16,108	105	42,568
Queensland						
South Australia	<b>46,050</b>	<b>10,267</b>	<b>348</b>	<b>22,656</b>	<b>123</b>	<b>43,472</b>
Greater Adelaide	47,196	11,063	340	23,476	134	44,672
Rest of South	41,726	8,788	357	19,371	94	39,317
Australia						
Western Australia	<b>53,446</b>	<b>13,625</b>	<b>309</b>	<b>18,686</b>	<b>130</b>	<b>51,465</b>
Greater Perth	54,216	14,344	309	19,318	141	52,225
Rest of WA	50,155	11,498	295	15,098	97	48,318
Tasmania	<b>43,524</b>	<b>7,781</b>	<b>308</b>	<b>18,422</b>	<b>109</b>	<b>40,749</b>
Greater Hobart	45,766	9,944	308	20,520	116	42,992
Rest of Tasmania	41,820	6,448	305	15,803	103	39,040
Northern Territory	<b>54,445</b>	<b>11,283</b>	<b>103</b>	<b>23,939</b>	<b>83</b>	<b>53,707</b>

Greater Darwin	57,617	12,476	102	24,964	83	56,621
Rest of NT	50,292	7,852	100	21,123	88	49,782
<b>Australian Capital Territory</b>	<b>61,846</b>	<b>8,677</b>	<b>298</b>	<b>32,319</b>	<b>117</b>	<b>58,613</b>
(b)						
<b>Australia (c)</b>	<b>48,030</b>	<b>10,268</b>	<b>364</b>	<b>18,079</b>	<b>112</b>	<b>44,940</b>

(a) Medians are calculated using non-zero income earners for each source of income. See Explanatory Notes paragraphs 20 and 31 for more information.

(b) The whole of the Australian Capital Territory is one GCCSA.

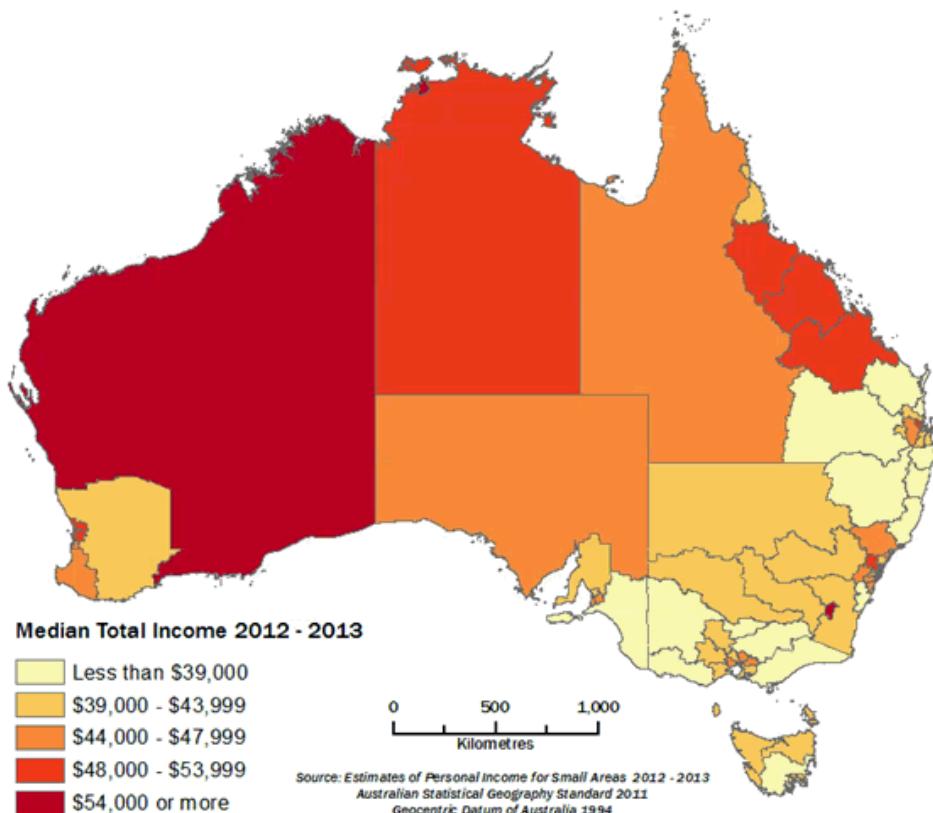
(c) Australia totals include data for the Other Territories and regions unknown or not stated.

#### STATISTICAL AREA LEVEL 4

SA4 regions usually contain populations of between 100,000-300,000 people, tending towards the lower limit in rural and regional areas.

On the Australian mainland, the SA4s of Inner Perth, the Australian Capital Territory and Western Australia - Outback recorded the highest medians for total income, with values of \$59,846, \$58,675 and \$57,471 respectively. In contrast, the SA4 regions of Mid North Coast and Coffs Harbour - Grafton (both in NSW) had the lowest medians at \$34,586 and \$35,014 respectively. The map below provides the Australia wide distributions for SA4s.

**Map 1. MEDIAN TOTAL INCOME, by STATISTICAL AREA LEVEL 4, 2012-13**



In median total income terms, the SA4s which most resembled Australia (which recorded a median total income of \$44,940) were Ipswich in Queensland with a value of \$45,009, followed by the Hunter Valley (excluding Newcastle) with \$44,847.

From another perspective, two sets of SA4 regions resembled each other quite closely, namely the Riverina (with a median total income of \$41,598) and the Central West (\$41,594), both in NSW. Also similar in median total income terms were Cairns (\$41,368) in Queensland and the Far West and Orana (\$41,364) in NSW.

# **Regional Variations in Income (SA2)**

## **REGIONAL VARIATIONS IN INCOME (SA2)**

This section presents data on median total income (all sources) and income distribution. The proportion of high income recipients earning over \$75,000 is explored - as well as those regions which have total income levels similar to that of Australia. Regions with less than 100 income earners have been excluded from the commentary.

### **MEDIAN TOTAL INCOME**

#### **SUMMARY**

For Statistical Area Level 2 (SA2) regions across Australia in 2012-13, median total income ranged from \$8,871 in the young (median age 23 years), primarily student based region of Acton (ACT) where 87.9% attended tertiary institutions (according to the 2011 Census), right up to \$93,902 in the mining boom region of Ashburton (WA).

Of all SA2s in New South Wales (with over 100 earners) the highest median total income was recorded in Balmain (\$72,591) followed by Lilyfield - Rozelle (\$69,029). At the opposite end of the income scale, Sydney - Haymarket - The Rocks recorded the lowest median (\$25,263). In Sydney – Haymarket – The Rocks, just 19.1% of people were born in Australia, according to 2011 Census data. Also, a large proportion of the population (41.2%) attended a tertiary or technical institution. Thus the presence of a student and temporary resident population may partly explain the lower median income in this SA2.

In Victoria the redeveloped SA2 of Port Melbourne recorded the highest median total income (\$66,156), followed by Toorak (\$65,753). The data story is quite different if we consider mean total income however. Toorak had a mean of \$145,639, much higher than Port Melbourne's level (\$93,116). The lowest median total income value was recorded by the SA2 of Avoca in the State's Central Highlands (\$28,650).

Renowned for its coal mining activity, Moranbah led all SA2s in Queensland in terms of having the highest median total income (\$80,945). Conversely, the SA2 of Kowanyama - Pormpuraaw in the State's far north, with a primarily Aboriginal and Torres Strait Islander population, recorded the lowest State median (\$24,816).

Walkerville SA2 in South Australia recorded the highest State median of \$55,995. Also notable was the popular tourist destination of Kangaroo Island recording a low median at \$29,945.

Apart from Ashburton, mentioned above, the SA2 of Port Headland was also prominent in terms of high median total income in Western Australia (\$84,357). Conversely, the SA2 of Denmark, on the State's south coast, recorded a median total income value of \$32,867. Located some 420 kilometres from Perth, Denmark is an emerging tourist destination with both coastal and wilderness features.

In Tasmania, the West Coast (\$49,026) and West Hobart (\$48,855) SA2s recorded the highest median total income values. Conversely, the SA2 of Forestier - Tasman recorded the lowest median (\$29,563) in the State.

Woolner - Bayview - Winellie (\$65,327) and Durack - Marlow Lagoon (\$63,738), both within Greater Darwin, recorded the highest median values in the Northern Territory.

The SA2 of Forrest was prominent in terms of having the highest median total income within the ACT (\$78,024), followed by Deakin (\$73,857). Apart from Acton, mentioned above, ACT - East had the lowest median income in the ACT (\$44,341).

### **HIGH MEDIAN TOTAL INCOME**

Excluding SA2s in the Other Territories, there were 2,086 SA2s with 100 earners or more; of these, 1,193 SA2s were located in greater capital city regions and 893 in the rest of state.

Of all SA2s (with 100 or more earners) in capital city regions, 67.2% recorded a median total income above the Australian value (\$44,940), while the corresponding level for SA2s in rest of state regions was considerably lower at 23.1% (see Graph 1).

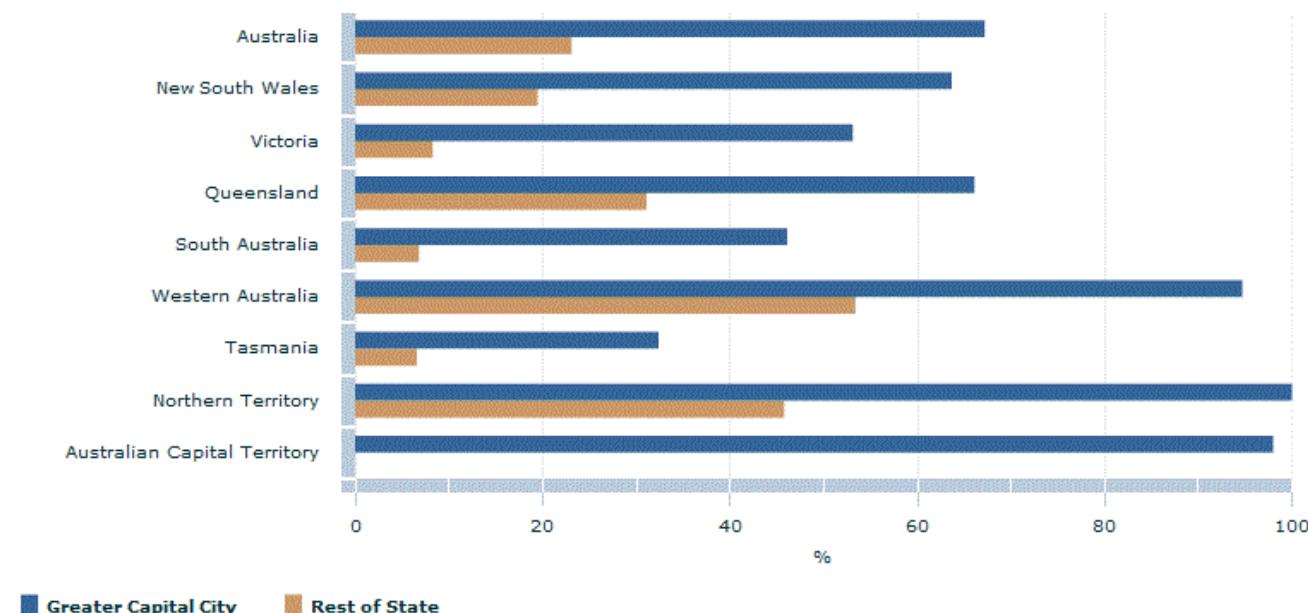
However, 53.4% of SA2s in the rest of Western Australia recorded high median total income levels - the

highest proportion for any rest of state region, across Australia.

Interestingly, 100% of SA2s with more than one hundred income earners in Darwin recorded high median total income levels. The Northern Territory also had the second highest 'rest of state/territory' proportion with 45.8% of SA2s reporting high median total income levels. Please note that median total income has been calculated on the total income (excluding Government pensions and allowances) of individuals who submitted a tax return for the 2012-13 financial year; it excludes some low income earners and those wholly reliant on Government pension and allowance payments. Excluding these lower earners can impact on some SA2 median values more than others; hence the regional estimates should be interpreted with care. For more background, please access the regional counts of pension recipients in Data by Region.

The graph also shows a more pronounced capital city/rest of state gap in median total income terms, for South Australia, Victoria and Tasmania.

**Graph 1 Proportion of SA2s with high median total income (a) (b), 2012-13**



**Footnote(s):** (a) High median total income is defined as greater than Australia's median of \$44,940 (b) Excludes SA2s with less than 100 earners

**Source(s):** EoPI graph data

## HIGH INCOME EARNERS

The quartile ranges rank all income earners in ascending order by total income and separate them into four equally sized groups (i.e. with 25% of the total population in each quartile). For ATO sourced data, for Australia in 2012-13, the top quartile comprised people who earned \$75,000 or more. Hence a threshold of \$75,000 has been used to describe a 'high income earner' in this publication, for total income. Where a region has more than 25% of its income earners receiving over this amount, it is said to have a larger proportion of high income earners than the national level (25%).

Graph 2 below shows that SA2s in capital city regions were more likely to have a higher proportion of income recipients earning over \$75,000, with some notable exceptions. Ashburton in the rest of WA topped the national list with 57.7% of its earners receiving over \$75,000, followed by Port Hedland (rest of WA) and Roxby Downs (rest of SA) with 54.7% and 54.1% respectively. The presence of high income earners in Ashburton is also supported by Census 2011 data which shows that just 6.6% of its households received a weekly household income of less than \$600 while 32.5% of households received a weekly income of more than \$3,000.

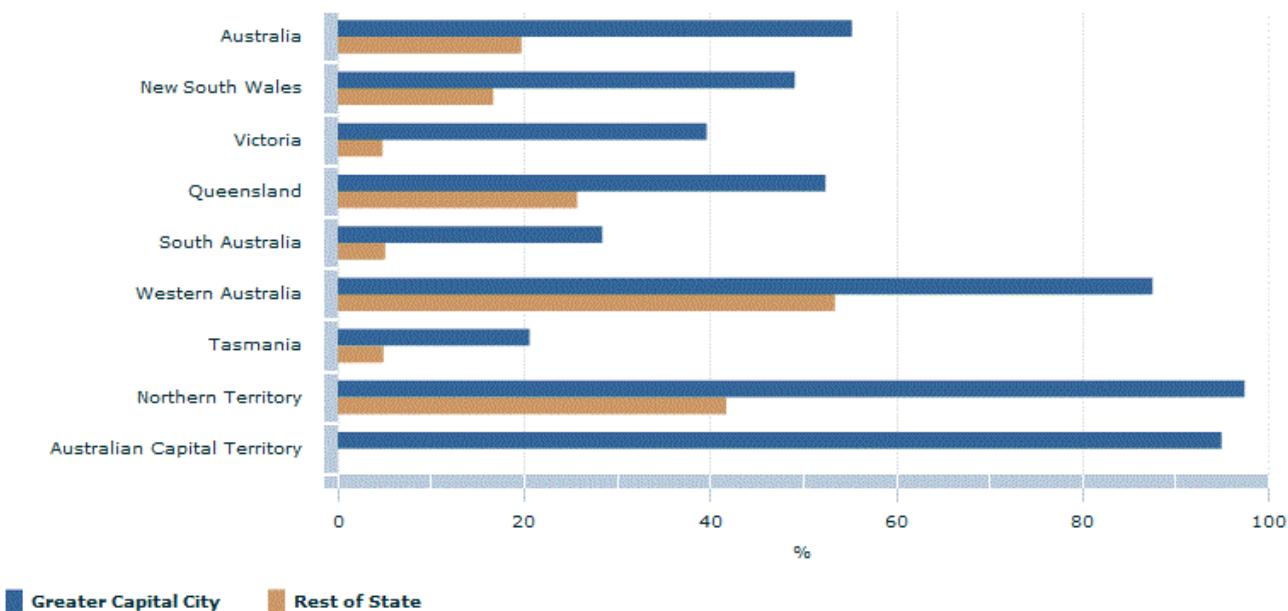
Of all SA2s in Australia's capital city regions, North Coogee in Greater Perth had the highest proportion of high income earners - with 52.5% of its 928 earners reporting above \$75,000.

In the ACT, 94.9% of all SA2s had over 25% of earners in the high total income category. Most prominent in this regard was Forrest, where 52.0% of earners earned above \$75,000. This was also the second highest level for any capital city region, after North Coogee in Greater Perth.

Deakin, Kingston - Barton, Red Hill (ACT), ACT - South West, O'Malley, Griffith (ACT), Yarralumla and Forde in the ACT all had over 45% of earners receiving above the \$75,000 level.

Balmain SA2 had the highest proportion of high income earners in Greater Sydney, with 48.2% of its 10,385 earners receiving above \$75,000. Mosman was ranked second highest within Greater Sydney, with 46.3% of its 18,930 earners reporting above \$75,000.

**Graph 2 Proportion of SA2s with greater than 25 per cent of high income earners (a) (b), 2012-13**



**Footnote(s):** (a) High total income is defined as greater than \$75,000 (b) Excludes SA2s with less than 100 earners

**Source(s):** EoPI graph data

Certain SA2 regions demonstrated low levels of earners receiving over \$75,000. Ravenswood in Tasmania had the lowest proportion of earners in this category - at just 5.3% - compared with 25.0% of earners for all of Australia. Ravenswood also had a moderate median total income at \$34,328 and a very similar mean income at \$35,241. This suggests a relatively homogenous region in income terms. Census 2011 data shows a similar story for Ravenswood; 48.1% of households had a weekly household income of less than \$600 and 0.8% of households had a weekly income of more than \$3,000.

From another perspective, 25.6% of people in Ravenswood were earning between \$44,941 and \$74,999, slightly higher than the Australian level (25.0%) for this income range. Elizabeth in South Australia recorded a similar result with just 6.7% of people earning over \$75,000 but 28.2% of people earning between \$44,941 and \$74,999 (again higher than the national level).

Some other results of note: the Inverell Region - East SA2 had the lowest proportion of earners earning more than \$75,000 in NSW, with only 8.7%.

In Greater Sydney, the SA2 of Auburn had the lowest proportion of high income earners, with just 9.8% of its 14,612 earners receiving above \$75,000 for total income. This region also recorded the largest proportion of earners in Sydney earning under or equal to the Australian median, with 68.3% of earners receiving less than \$44,941.

In Greater Melbourne, Doveton recorded the lowest proportion of high income earners, at just 7.4%. However, this SA2 region still had a moderate percentage of earners (36.1%) making over \$44,941 - above the national median for total income (\$44,940).

Woodridge in Greater Brisbane had only 8% of earners earning over \$75,000, but still had a moderate 38.7% earning over \$44,941 - above the national median for total income (\$44,940).

Over one quarter (25.2%) of the 833 earners in the Torres Strait Islands recorded a total income above \$44,941 in 2012-13, meaning that 74.8% of earners received equal to or below the Australian median of \$44,940.

## INCOME DISTRIBUTIONS

Measures of income distribution can provide insights into how total income is spread amongst individual earners, within and across regions. Such measures include percentile ratios, top percentage income shares, medians (outlined separately above) and means, and the Gini coefficient.

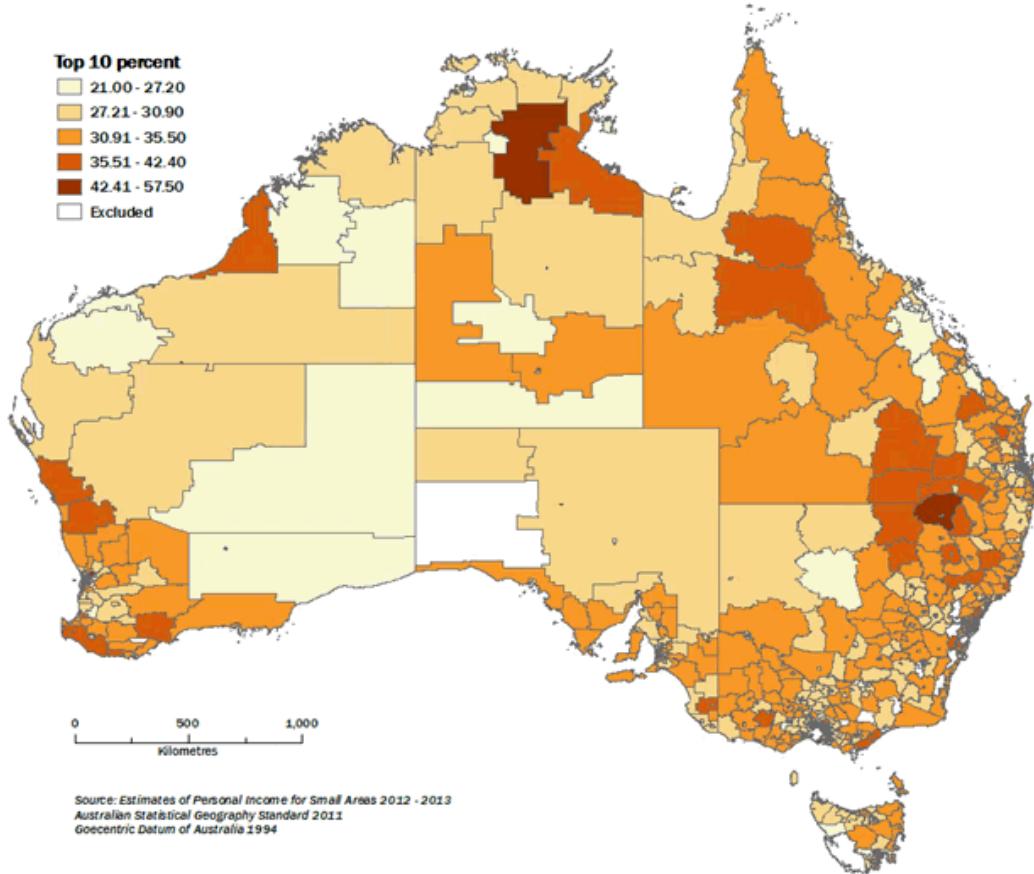
Map 1 (below) shows how the percentage of total personal income earned by the top 10% of earners can vary across SA2s in Australia - for example, from 21% in some areas to 57.5% in others. This measure indicates how positively skewed the income distribution is within a region. A higher percentage of the income total being contributed by the top 10% of earners indicates a skewed regional income distribution - where those people with high incomes are earning a disproportionate amount when compared with the other earners in that region.

The SA2 region with the lowest percentage of total income earned by its top 10% of its earners was Palmerston - South (in Greater Darwin) followed by Gungahlin - West (ACT) and Cranbourne West (in Greater Melbourne), with 21.0%, 21.2% and 21.5% respectively. These regions all had relatively low percentages of earners in the bottom income quartile (earning less than \$21,400) with 12.6%, 15.3% and 18.9% respectively. The majority of income earners in Palmerston - South were in the third and fourth (highest) income quartiles (39.1% and 30.9% respectively) whereas the bulk of earners in Gungahlin - West and Cranbourne West were in the (lower) second and third income quartiles. Median total income was higher for Palmerston - South (\$61,277) than Gungahlin - West (\$53,362) and Cranbourne West (\$45,248). This shows that while there were regional similarities for some income distribution measures, there were notable differences for others.

In Greater Melbourne, the SA2 of Toorak had the highest percentage of total income received by the top 10% of its earners, at 55.2% of the region's total income amount of \$1.44b. For Greater Perth, Mosman Park - Peppermint Grove had the highest per cent of total income contributed by the top 10% of its earners, at 53.3%. In Greater Adelaide, Walkerville SA2 was prominent; the top 10% of its earners received 45.2% of the region's total income of \$422m. Corresponding details for other jurisdictions can be found in the downloadable data cubes attached to this publication.

From a rest of state (non-capital city region) perspective, the Main Beach SA2 located within Queensland's Gold Coast was prominent. Here, the top 10% of earners contributed 45.9% of the region's total income amount (\$180.1m).

**Map 1. PERCENTAGE OF TOTAL INCOME CONTRIBUTED BY TOP 10% OF EARNERS, by SA2, Australia, 2012-13**

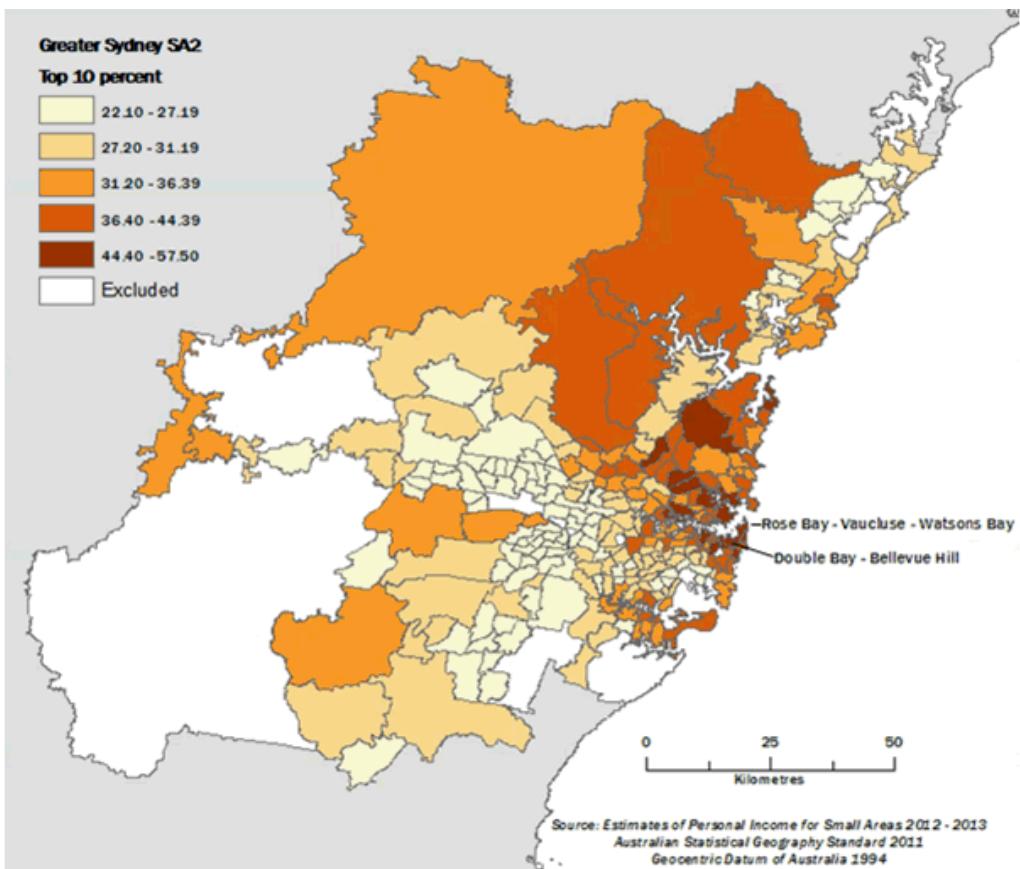


It can be useful to 'zoom in' on SA2s within sub-state regions (such as Greater Sydney), to bring the income characteristics of these physically smaller (in land area terms) but nonetheless populous regions into sharper focus.

In Greater Sydney in 2012-13, the SA2 with the highest percentage of total income earned by its top 10% of earners was Rose Bay - Vaucluse - Watsons Bay with 57.5%. Double Bay - Bellevue Hill was second most prominent, with 55.2% of total income being earned by the top 10% of its tax form lodgers.

Regional levels ranged down to 22.1% (of total income received by the top 10% of earners) in Glendenning Dean Park, which also had a median total income (\$47,926) that exceeded Australia's median (\$44,940). Located around 45 kilometres west of inner Sydney, Glendenning Dean Park has a high proportion of family households (88.2%) and of owner occupied dwellings with a mortgage (59.1%).

**Map 2. PERCENTAGE OF TOTAL INCOME CONTRIBUTED BY TOP 10% OF EARNERS, by SA2, Greater Sydney GCCSA, 2012-13**

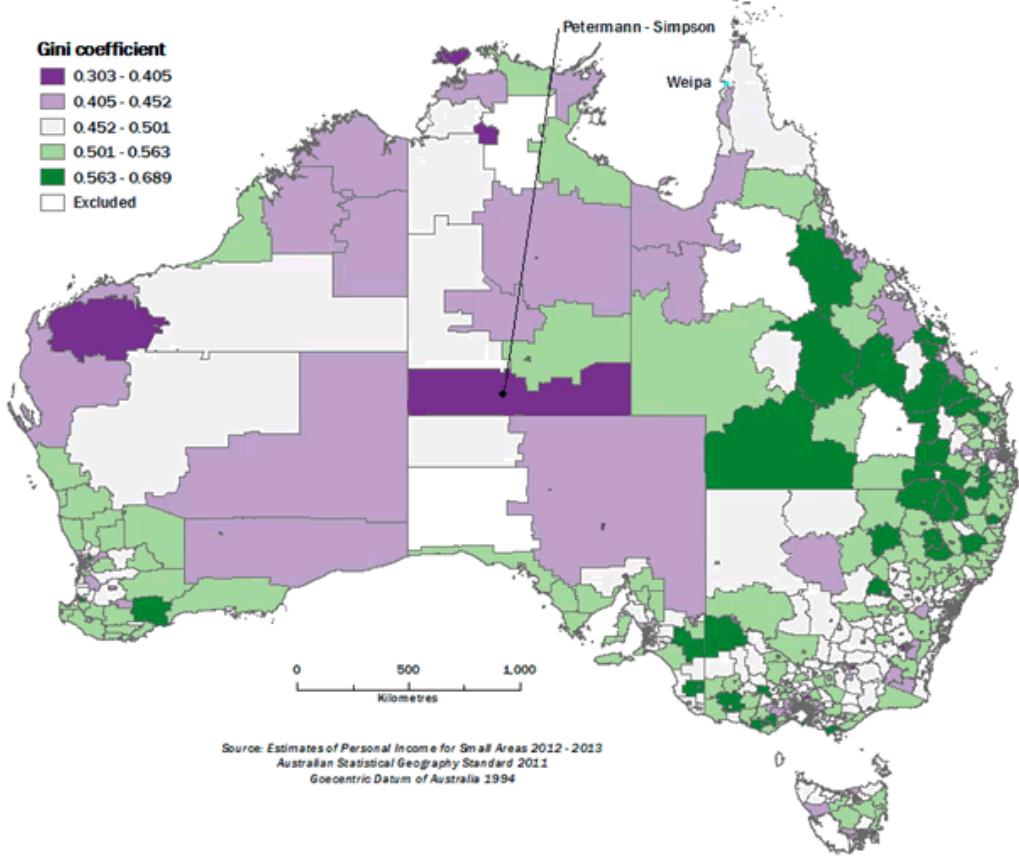


Map 3 shows the Gini coefficient for total income (excluding Government pensions and allowances) for all SA2s in Australia. The Gini coefficient is a single statistic with a value that lies between 0 and 1. In this publication, it reflects the degree of income inequality for people who lodged tax forms, usually by their region of residence. Coefficient values closer to 1 indicate greater inequality. Note: due to some income exclusions and partial data coverage, this data should be interpreted with care. See the Explanatory Notes, paragraph 16 for more information.

Some regions showed particularly interesting results. For example, the mining region of Weipa in Queensland had a low Gini coefficient of 0.349 but also had one of the highest percentages (52.5%) of earners in the highest (or fourth) income quartile (earning over \$75,000), with just 11.4% of earners in the bottom quartile (earning less than \$21,400). Weipa also had a high median total income at \$78,608 and a high mean income at \$80,509. This was a smaller gap (between mean and median levels) than observed for most other SA2 regions. This suggests that Weipa has a less skewed distribution for total income, but higher levels of income overall, than Australia. The presence of bauxite mining may have contributed to Weipa's relatively homogenous income result; 2011 Census data confirms that mining was the main employing industry in the region (37.1%). There have also been training programs introduced to increase the involvement of Aboriginal and Torres Strait Islander people (who comprise 18.6% of Weipa's population) in the mining industry. Such factors may partly explain the relatively equal distribution observed for all income earners in the region.

Conversely, the region of Petermann - Simpson in the Northern Territory, which also had a low Gini coefficient of 0.351, had a much lower median income (\$39,906) than Weipa and only had 10.7% of earners in the highest quartile earning over \$75,000. This indicates that Petermann - Simpson also had a less skewed distribution for total income than Australia - but contrary to what was observed for Weipa - it had more earners earning less, with 60.4% earning below or equal to Australia's median total income of \$44,940. From another perspective, only 654 income earners were recorded in Petermann - Simpson, compared with an estimated resident population at June 2014 of 2,170 persons aged over 15 years. This indicates the strong presence of Government pension and allowance recipients and low income earners (who are not required to lodge tax returns). Therefore the results should be interpreted with care. For more background, please access the regional counts of pension recipients in Data by Region.

**Map 3. GINI COEFFICIENT, by SA2, Australia, 2012-13**



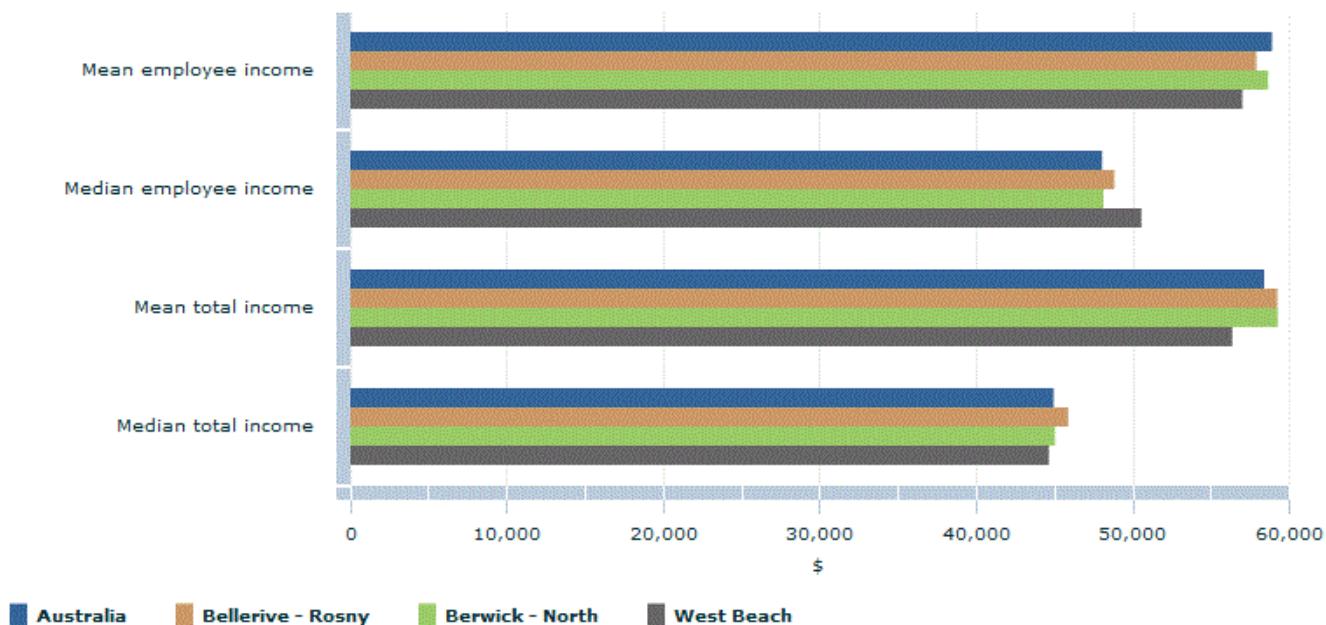
## REGIONS SIMILAR TO AUSTRALIA

Some SA2s across Australia had similar income characteristics to those observed for Australia. For example, Berwick - North in Victoria, West Beach in South Australia and Bellerive - Rosny in Tasmania recorded a median total income within just a few hundred dollars of Australia's median.

Furthermore, these regions had similarities with Australia for other income indicators. For example, Berwick - North had similar percentile ratios (P20/P50 of 0.39 for Berwick - North, 0.39 for Australia) and Gini coefficients (0.472 for Berwick-North, 0.480 Australia). The median investment income values were reasonably similar (\$432 for Berwick- North compared with \$364 for Australia) while both regions shared the same median age (47 years) for people earning income from their own unincorporated businesses.

The graphs below show some of the the similarities in total income and employee income for these regions when compared with Australia.

**Graph 3 Total & Employee Income, Regions like Australia, 2012-13**



Source(s): EoPI graph data

Graph 4 shows similarities in the share of income contributed by the top 10%, 5% and 1% of total income earners in these regions.

**Graph 4 Income Share, Regions like Australia, 2012-13**



Source(s): EoPI graph data

## Main Source of Income (SA2)

### MAIN SOURCE OF INCOME (SA2)

When assessing the ways in which income types vary across regions, it can be useful to examine the proportion of earners in a region by their main income type.

The main source of income for the majority of earners in Australia (77.9%) in 2012-13 was employee income. Particularly prominent were the mining regions where employee incomes tended to be higher; it was less

likely that earners would be earning more money from another income category.

Of all Statistical Area Level 2 (SA2) regions in Australia (with 2,000 or more employees) over the 2012-13 financial year, Roxby Downs (South Australia) had the highest proportion of people whose main source of income was employee income (96.3%) followed by Newman and Ashburton (WA) with 95.9% and 95.0% respectively. The median age of employee income earners in these SA2 regions was 34, 35 and 37 years respectively, indicating a relatively young, working-age profile.

The Ashburton SA2 (WA) had the highest median employee income (\$98,633) in Australia, with Roxby Downs (SA) and Newman (WA) also being prominent (with \$84,478 and \$81,766 respectively).

**Table 1. EMPLOYEE INCOME AS MAIN SOURCE (a) - Top 5 SA2s (b), 2012-13**

State/Territory	SA2 name	Percentage of earners (%)
SA	Roxby Downs	96.3
WA	Newman	95.9
WA	Ashburton (WA)	95.0
WA	South Hedland	94.6
NT	Bakewell	94.2

(a) Excludes persons who had more than one main source of income. See Explanatory Notes paragraph 24 for more information.

(b) Excludes SA2s with less than 2,000 Employee income earners.

Of all SA2 regions in Australia, Toorak (Victoria) had the highest proportion of people whose main source of income was investment income (40.9%) followed by City Beach in Western Australia (37.8%) and Rose Bay - Vaucluse - Watsons Bay in New South Wales (36.7%). Toorak and Rose Bay - Vaucluse - Watsons Bay also recorded the highest medians for investment income in Australia (\$11,735 and \$8,595 respectively).

**Table 2. INVESTMENT INCOME AS MAIN SOURCE (a) - Top 5 SA2s (b), 2012-13**

State/Territory	SA2 name	Percentage of earners (%)
VIC	Toorak	40.9
WA	City Beach	37.8
NSW	Rose Bay - Vaucluse - Watsons Bay	36.7
VIC	Brighton (Vic.)	36.6
VIC	Queenscliff	36.1

(a) Excludes persons who had more than one main source of income. See Explanatory Notes paragraph 24 for more information.

(b) Excludes SA2s with less than 100 earners.

The age profile of people reporting any investment income tends to be higher. This higher age profile generally means people have had longer to build up their assets and investments. For example, the median age for Rose Bay - Vaucluse - Watsons Bay was 49 years compared with 52 years for both Toorak and City Beach. The median age for investment earners in Australia was 45 years, higher than for employee income (39 years) and slightly higher than for total income (42 years).

**Table 3. OWN UNINCORPORATED BUSINESS INCOME AS MAIN SOURCE (a) - Top 5 SA2s (b), 2012-13**

State/Territory	SA2 name	Percentage of earners (%)
WA	Kulin	29.9
WA	Gnowangerup	29.5
SA	Le Hunte - Elliston	28.1
NSW	Grenfell	26.5
WA	Dowerin	25.5

(a) Excludes persons who had more than one main source of income. See Explanatory Notes paragraph 24 for more information.

(b) Excludes SA2s with less than 100 earners.

The SA2 regions of Kulin and Gnowangerup in Western Australia had the highest proportion of people whose main source of income was own unincorporated business income (at 29.9% and 29.5% respectively). Both regions are prominent agricultural centres specialising in wheat and cereal production, along with some tourism activity.

In terms of median own unincorporated business income, Gnowangerup was also prominent (\$27,271). However, O'Malley (\$38,774) in the ACT and Morawa (\$36,468) in WA recorded the highest national medians for this income category.

## Net Capital Gains (SA2)

### NET CAPITAL GAINS (SA2)

Net capital gains details for selected regions are featured in this publication for the first time. A capital gain is the profit that results from the sale of a capital asset, where the sale price exceeds the purchase price and attracts capital gains tax. Conversely, a capital loss can arise if proceeds from a sale are less than the original purchase price. Capital gains cover the sale of assets such as: land, units in a unit trust and other investment properties, company shares, licenses, rights, options and leases; various collectables (paintings, antiques, coins, jewellery and similar) with an original market value of over \$500; and personal-use assets such as boats, furniture and electrical goods with an original value of over \$10,000. The sale of a person's primary dwelling of residence is usually exempt from capital gains tax. For more information, see the Explanatory Notes, paragraphs 11, 12 and 13.

The table below shows the top 10 SA2s with the highest amount of net capital gains in 2012-13. Double Bay - Bellevue Hill was the most prominent region with 1,476 net capital gains earners (8.6% of all earners in the SA2) receiving a total of \$158.3 million in net capital gains. Also prominent from a NSW perspective was Mosman with 1,688 net capital gains earners receiving a total of \$85.7 million.

For Victoria, the SA2s of Brighton and Toorak recorded the two highest amounts for net capital gains - with \$141.4 million and \$108.8 million, respectively.

The top SA2 in Queensland was Hope Island which had substantially higher net capital gains (\$72.1 million) than the total amount recorded by the second ranked Eimeo - Rural View (\$34.7 million).

Leading SA2s in other jurisdictions included Booragoon in Western Australia (\$99.2 million), Sandy Bay in Tasmania (\$14.0 million) and Larrakeyah in the Northern Territory (\$26.1 million).

In South Australia the top two SA2s were St Peters - Marden and Glenelg (SA) recording relatively similar net capital gains amounts (\$22.6 million and \$22.2 million respectively).

The top two SA2s in the Australian Capital Territory also had relatively similar net capital gains amounts. Earners in Nicholls reported \$16.6 million, compared with \$14.2m for Red Hill (ACT).

**Table 1. NET CAPITAL GAINS - Top 10 SA2s, 2012-13**

State/Territory	SA2 name	Net capital gains recipients psns	Percentage of all earners reporting net capital gains %	Net capital gains total	Net capital gains median
				\$	\$
NSW	Double Bay - Bellevue Hill	1,476	8.6	158,313,221	3,792
VIC	Brighton (Vic.)	1,510	10.2	141,431,507	2,947
VIC	Toorak	1,109	11.2	108,788,266	7,359
WA	Booragoon	679	7.1	99,231,568	3,354
NSW	Mosman	1,688	8.9	85,745,051	3,385
VIC	Kew	1,397	9.0	80,611,987	1,942
QLD	Hope Island	329	5.4	72,085,873	3,631
NSW	Rose Bay - Vaucluse - Watsons Bay	798	10.2	69,386,353	5,416
WA	Nedlands - Dalkeith - Crawley	1,065	9.5	69,113,713	3,965
WA	Cottesloe	531	9.9	60,499,802	5,572

## About this Release

This release provides estimates of personal income (as received and reported by individuals) for the 2012-13 tax year.

The publication summarises income that individuals receive from the following sources: Employee earnings; Own unincorporated business; Investment; Superannuation and annuities; and Other income (excluding government pensions and allowances). Estimates of Total income from all sources (except government pensions and allowances) are also published.

Confidentialised personal income data are presented for the following geographies; Statistical Area Level 2 (SA2) regions, SA3, SA4, Greater Capital City Statistical Areas (GCCSA), State/Territory and Australia, and Local Government Areas - reflecting the Australian Statistical Geography Standard (ASGS) classification.

For the first time, the estimates have been produced from a de-identified file provided by the Australian Taxation Office (ATO). The ABS has subsequently transformed this information into ASGS geographic regions and added confidentialisation.

This report forms part of the ABS' ongoing program to increase the range of publicly available regional statistics, through the use of administrative data held by other government agencies. The ABS wishes to acknowledge the invaluable support of the ATO in compiling these statistics.

## History of Changes

**This document was added or updated on 23/02/2016.**

**31/05/2016** - This release provides additional regional income data on employees; by age, sex and occupation, for the 2012-13 tax year. The income details are presented in mean, median and quintile formats. The new employee income details have been made available for the following geographies; SA3, SA4, GCCSA, State/Territory and Australia. Minor amendments have been made to the Employee Income, Investment Income, Other Income, Own Unincorporated Business Income, Superannuation and Annuities Income and the Total Income data cubes. Explanatory notes paragraphs 26 and 27 have also been modified.

**23/02/2016** - Replacement of Total Income data cube to correct P80/P50 ratios in Table 2 Greater Capital City Statistical Areas. All other data cubes and content remain unchanged.

## Explanatory Notes

### Explanatory Notes

#### INTRODUCTION

**1** This release contains new regional estimates of the sources of personal income that people received for the 2012-13 financial year. The data cube tables provide a breakdown of total personal income for the following sources - employee, own unincorporated business, investment, superannuation and annuities, other income (excluding Government pensions and allowances) - and total income from these component sources.

**2** This issue presents personal income data at various levels of the Australian Standard Geography Standard (ASGS). Regions shown include Statistical Area Level 2, Statistical Area Level 3, Statistical Area Level 4 and Greater Capital City Statistical Areas for each state and territory of Australia. Data for Local Government Areas (LGA) are also provided. More information about the ASGS is available from the Statistical Geography Portal on the ABS website. The full suite of geographies can be viewed in the data cube tables.

**3** Personal income tax data are supplied by the Australian Taxation Office (ATO) to the Australian Bureau of Statistics (ABS) under the *Taxation Administration Act 1953*, which requires that such data be only used for the purpose of administering the *Census and Statistics Act 1905*. Any discussion of data limitations or weaknesses in these Notes is in the context of using the data for statistical purposes; it is not related to the ability of the data to support the ATO's core operational requirements. Readers should note that legislative requirements to ensure privacy and secrecy of this data have been adhered to. In accordance with the

Census and Statistics Act 1905, results have been confidentialised to ensure that they are not likely to enable identification of a particular person or organisation.

**4** This publication forms part of the Australian Bureau of Statistics' (ABS) ongoing program to increase the range of regional statistics available, particularly through the use of administrative information collected by other government agencies. The ABS particularly wishes to acknowledge the ATO which provided the valuable data used to compile the statistics presented in this release.

## CHANGES IN THIS ISSUE

**5** This issue represents a break in series from data previously presented in Cat no. 6524.0.55.002, Estimates of Personal Income for Small Areas, Time Series, 2005-06 to 2010-11, released in October 2013. Due to the addition of new items to some sources of income, combined with a rise in the tax free threshold from \$6,000 up to \$18,200 in 2012-13, and the ATO's agreement to supply more geographically detailed information, it has been decided to build an entirely new data series, starting at 2012-13. Also the terms "wage and salary earners" and "wage and salary income" have been replaced with "employees" and "employee income", to achieve better conceptual alignment with employee concepts described in Labour Statistics: Concepts, Sources and Methods, 2013. For example, tax form line items such as employee termination payments (which are included in calculations) are more reflective of 'employee income' than 'wage and salary income'.

**6** The derivation of employee income and total income have changed with new tax form line items being included, or gross (rather than net) amounts now being used (where practicable) in calculations. More specifically:

- gross reportable fringe benefits (in cash and in kind) are now included in employee income, whereas previously a net measure was used. This aligns with current treatments in the ABS Survey of Income and Housing. However, total fringe benefits valued at \$3,773 or less are not reported, which may still result in slight under coverage in employee income.
- exempt foreign employment income is now included in employee income. This means that income earned by some defence personnel and government representatives, while overseas, will be captured.
- the tax form requires individuals to report 5% of employer lump sum payment (B) - as the taxable amount. For 2012-13 data, however, ABS will multiply the taxable amounts by 20, to achieve a fuller estimate for this component.
- reportable employer superannuation contributions were previously excluded from the derivation of employee income. Following a recent review, however, it has been decided to now include this component as part of pre-tax or gross income. This means that superannuation contributions from pre-tax income, usually made under salary sacrifice agreements, are now captured.

**7** For more information about recent changes to individual tax reporting items, and related summary statistics, please see the ATO publication, Taxation Statistics, 2012-13. There may be slight differences between the aggregates published by the ATO and those presented here, due to differences in data extraction times, data refinements applied, and the impact of late tax returns.

**8** Data on income reported by children aged under 15 years are included in the aggregates for the first time, covering aspects such as employment income, investment income and other sources.

**9** As mentioned in paragraph 5, ABS has recently received access to de-identified unit record file information, which enables the direct geo-coding of personal income data to small geographic regions. Previously the data were supplied by the ATO as postcode aggregates, which required ABS conversion to ASGS or LGA using Correspondences.

**10** Such changes have influenced the decision to start a new time series with 2012-13 data; a break with information previously published and an opportunity to build a new harmonised data series with better data comparability over time.

## NEW CONTENT AND INDICATORS

### Net capital gains

**11** Net capital gains and related medians for selected regions are featured in this publication for the first time. A capital gain is the profit that results from the sale of a capital asset, where the sales price exceeds the purchase price and attracts capital gains tax. Conversely, a capital loss can arise if proceeds from a sale are less than the original purchase price. Capital losses can be carried forward and used against capital gains in future years to reduce the net capital gain amount, however a net capital gain can never be a negative amount, and any unused losses continue to be carried forward. Therefore, net capital gains is used in this

publication, which is the amount after capital losses from that year or previous years have been deducted.

**12** Capital gains cover the sale of assets such as: land, units in a unit trust and other investment properties, company shares, licenses, rights, options and leases; various collectables (paintings, antiques, coins, jewellery and similar) with an original market value of over \$500; and personal use assets such as boats, furniture and electrical goods with an original value of over \$10,000. More ATO information on this topic is available from Capital Gains and Exemptions.

**13** Net capital gains are not part of the existing ABS investment income, other income or total income framework, but are presented here as supplementary information of interest.

### **Gini coefficient**

**14** Taken together, the simple measures of income distribution such as mean, median, percentile ratios and income shares can provide an indication of differences in the income distributions of two separate regions. However, none of the simple measures comprise a single statistic that summarises the whole income distribution in a way that directly considers the individual incomes of all regions. In this publication, the Gini coefficient is used to compile a single statistic of inequality by summarising the distribution of income across the population in each region.

**15** The Gini coefficient is provided here for total income (excluding Government pensions and allowances). This is a single statistic that lies between 0 and 1 and is a summary indicator of the degree of inequality in income between tax form lodging population. Values closer to 1 represent greater inequality.

**16** The Gini coefficients shown in this publication can be regarded as indicative but not definitive. They should not be directly compared with apparently similar ABS information at state/territory level, as per Household Income and Wealth, Australia, 2013-14. The Gini coefficients presented in this publication are also calculated from gross personal income and not from equivalised disposable income as presented in Household Income and Wealth, Australia, 2013-14. There is also an acknowledged under-coverage of certain income groups in taxation data due to tax exemptions, and people being under the \$18,200 reporting threshold. For instance, persons aged 60 years and over who are mostly dependent on superannuation income from a taxed source, or those mostly reliant on Government pensions and allowances, may be missing from the tax data. There are also instances of tax forms being lodged up to 3 or 4 years late. For more information, see paragraphs 37-40 in the Explanatory Notes of the previous issue of this catalogue.

**17** From another perspective, the coefficients have been included to demonstrate the finer regional data capability afforded by the ATO personal income tax data set. The majority of sample surveys with an income aspect cannot support the production of reliable estimates for granular geographies such as SA2, SA3 or LGA.

### **Percentiles**

**18** Personal income data derived from the taxation dataset are presented in percentiles for the first time. When all persons in the tax form lodging population are ranked from the lowest to the highest based on a common characteristic such as total income, they then can be divided into equal sized groups. Division into 100 groups gives percentiles. For example, the highest value of the characteristic in the twentieth percentile is denoted P20. The median or top of the 50th percentile is denoted as P50. P20, P50 and P80 denote the highest values in the 20th, 50th and 80th percentiles respectively. Ratios of values at the top of selected percentiles, such as P80/P20, are termed percentile ratios.

**19** Percentile ratios summarise the relative distance between two points in a distribution. To illustrate the full spread of an income distribution, percentile ratios often present points near the extremes of the distribution, for example as a P90/P10 ratio. However, for personal income tax data, the P80/P20 ratio is thought to better illustrate the magnitude of the range within which the income of the majority of people fall. The P80/P50 and P50/P20 ratios focus on comparing the ends of the income distribution with the midpoint.

### **Medians**

**20** Access to more detailed ATO information has enabled the production of median income estimates. Median income is that level of income which divides the units in reference population into two equal parts, once half having incomes above the median and the other half having incomes below the median.

### **Australia Quartile Ranges**

**21** Similarly, income quartiles data are now possible. Quartiles are groupings that result from ranking all

persons who lodged tax returns in ascending order according to total income, and then dividing them into four equal groups, each comprising 25% of the reference population. Australia's quartile ranges are used to compare the income distributions of regions to Australia.

### **Income share**

**22** Income share (% of income held by the top 1%, 5% and 10% of all earners, per region) has also been introduced. The aggregate income of the units in each percentile is divided by the overall aggregate income of the entire population to derive income shares.

### **Main Source of Income**

**23** Main source of income is the source from which a person derives most of their income. In this publication, main source of earners is presented as a proportion of the population in that region.

**24** If a region is particularly reliant on one source, it may be susceptible to policy or economic changes that affect that income type - hence the inclusion. Where persons receive exactly the same amount across multiple sources of income, they have been excluded from the derivation of this indicator. Persons with negative or nil income total income have also been excluded.

### **Median Age of Earners**

**25** Median age by income type has been provided for all geographies in this publication. See paragraph 20 for explanation of medians.

### **CONFIDENTIALITY**

**26** All individual income tax statistics relating to the 2012-13 income year have been provided by the ATO and then geocoded to Statistical Area Levels 1 and 2 and Local Government Areas. The ABS has then suppressed those regional table cells with very small values or where a few records contribute most of a regional total. Apparent outlier values are treated to ensure more coherent data (less skewed values) at the regional level.

**27** Other additivity characteristics (e.g. totals may not exactly match the sum of their components) also reduce the risk of deducing real values. Related geographic regions are checked for 'differencing' to ensure that suppressed values in region A cannot be deduced from region B, or a combination of other regions.

### **SCOPE AND COVERAGE**

**28** The main functions and responsibilities of the ATO are to administer taxation legislation and to collect a wide variety of taxes. The ATO therefore collects data from its reporting population as part of its processes to calculate income tax liability for those persons who are required to lodge an income tax return.

**29** The ATO database covers all individuals who submit an individual income tax return and includes persons with income from one or more of a range of sources, such as wages and salaries, own unincorporated business, superannuation and annuities, investments and Government pensions, benefits or allowances. The scope of the ATO statistics presented in this release are data items relating to income standards the ABS uses for its income surveys. However the scope of the ATO statistics presented in this release exclude Government pensions, benefits or allowances.

**30** All data presented are gross income before deductions (unless item is specified as net income, eg. net rent) - and before tax and the Medicare levy are applied.

**31** Earners have been defined as persons who have submitted an individual income tax return and have received positive or negative income from one or more of the sources defined below in that financial year.

### **Employee income**

**32** Employee income is the total (or gross) income received as a return to labour from an employer or from a person's own incorporated business (when they are employed by this business). This source of income includes the following data items on the individual income tax return:

- Q1-CDEFG Total income from wage and salary (before tax and application of Medicare levy) as shown on the 'PAYG payment summary - individual non-business';
- Q2-K Allowances, earnings, tips, director's fees, etc;

- Q3-RH Employer lump sum payments (adjusted to gross value);
- Q4-I Employment termination payments;
- Q9-O Attributed personal services income;
- Q12-B Employee share schemes;
- IT1-W Reportable fringe benefits (gross value not adjusted);
- IT2-T Reportable employer superannuation contributions (superannuation contributions (within concessional cap limits) from pre-tax income, usually made under salary sacrifice agreements);
- Q20-N Exempt foreign employment income; and
- Q20-T Other net foreign employment income.

### **Own unincorporated business income**

**33** Own unincorporated business income is the profit or loss that accrues to owners of, or partners in, their own unincorporated businesses. Profit or loss is the value of the gross output of the enterprise after the deduction of operating expenses, including reportable superannuation contributions, depreciation and operating costs, but before income tax is taken out. Losses occur when operating expenses are greater than receipts and are treated as negative income. This category includes the following data items from the individual income tax return:

- Q13-NL Distributions from partnerships and trusts (including any franked distributions) for primary production activities;
- Q13-O Distributions from partnerships (including any franked distributions) for non-primary production activities, less foreign income;
- Q14-A Net personal services income; and
- Q15-BC Net income (or loss) from business.

**34** The data excludes distributions from trusts for non-primary production activities as this may include aspects of investment income. It also excludes the income of working directors/owners of incorporated businesses who are classified as employees; consequently their income is included under employee income.

**35** "Net personal services income" does not include income a person received as an employee, making it different from "Attributed personal services income".

### **Investment income**

**36** Investment income includes the following data items on the individual income tax returns:

- Q10-L Gross interest;
- Q11-S Dividends unfranked amount;
- Q11-T Dividends franked amount;
- Q11-U Dividends franking credit;
- Q13-U Distribution from trusts less net capital gains, foreign income and franked distributions- non-primary production ;
- Q13-C Franked distributions from trusts - non-primary production;
- Q20-F Australian franking credits from a New Zealand company;
- Q20-R Net foreign rent; and
- Q21-U Net rent.

### **Superannuation and annuity income**

**37** Superannuation and annuity income includes the following data items on the individual income tax returns:

- Q7-JN Australian annuities and superannuation income streams;
- Q7-YZ Australian annuities and superannuation income streams - lump sum in arrears;
- Q8-QP Australian superannuation lump sum payments; and
- Q22-W Bonuses from life insurance companies and friendly societies.

**38** A change to legislation relating to superannuation, taking effect from 1 July 2007, meant that people aged 60 years and over who receive superannuation income in the form of a lump sum or income stream (such as a pension) from a taxed source, receive that income tax free. Therefore, these persons are not required to report this income at Q7-J or Q8-Q on their individual tax return. Also, if such persons have no other income, or their total income is below the tax-free threshold, then they are also not required to lodge a tax return.

**39** Due to such changes, the superannuation estimates (persons, income) published in this publication are regarded as partial, subject to under-coverage. ABS is currently investigating ways of achieving fuller

estimates for regions. A more comprehensive snapshot of superannuation income (at aggregate state/territory level) can be obtained from the ABS Survey of Income and Housing - see Household Income and Wealth, Australia, 2013-14.

### **Other income (excluding Government pensions and allowances)**

**40** Other income (excluding Government pensions and allowances) comprises income items reported on the individual income tax return that were not allocated to one of the above categories. For example, other income can include transfer or trust income, controlled foreign company income, net foreign pension and annuity income, and foreign investment and life assurance income.

Other income (excluding Government pensions and allowances) includes the following data items on the individual income tax returns:

- Q19-B Foreign entities - transfer or trust income;
- Q19-C Foreign investment fund and/or foreign life assurance policy income;
- Q19-K Controlled foreign company income;
- Q20-LD Net foreign pension/annuity income;
- Q20-M Other net foreign source income; and
- Q24-VY Other income.

**41** As indicated, Government pensions, benefits or allowances are excluded from the ABS income data and do not appear in other income or total income. Pension recipients can fall below the income threshold that necessitates them lodging a tax return, or they may only receive tax free pensions or allowances. Hence they will be missing from the personal income tax data set. Recent estimates from the ABS Survey of Income and Housing (which records Government pensions and allowances) suggest that this component can account for between 9 to 11% of total income.

### **Total income (excluding Government pensions and allowances)**

**42** Total income is the sum of all income derived from employee income, own unincorporated business, superannuation and annuities, investment and other income (excluding Government pensions, benefits or allowances), as defined above.

### **Counts of individuals**

**43** Individuals may receive income from a number of sources. Also, net income from a specific source may be positive or negative. For example, an individual may have positive income from employee income yet negative net income from investment. The number of individuals for each income source includes all persons with either positive or negative net income from that source.

**44** Users should note that the total number of individuals in receipt of income from at least one source cannot be calculated as the sum of the individuals in each income category, since people can have more than one source of income in any given year. For example, an individual could derive income from multiple sources such as employee income, investments and their own unincorporated business and thus contribute to the regional person count in all three income categories.

## **DATA CONSIDERATIONS**

**45** There are several considerations that users should be mindful of when interpreting the ATO data. See paragraphs 46 and 47 below. Overall, these considerations are not seen as being so severe that they would lead to the production of misleading information. Nonetheless, readers are advised to take them into account when analysing the results.

**46** Generally, the ATO considers someone to be an Australian resident for tax purposes if they have either always lived in Australia or have come to Australia to live permanently, or they have been in Australia for more than half of the financial year (unless their usual home is overseas and they don't intend to live in Australia), or they have been in Australia continuously for six months or more and for most of that time have been in the one job and living in the same place, or they are an overseas student enrolled in a course of study for more than six months duration.

**47** For the purposes of providing statistical measures for the entire population, the ATO database has some limits to its coverage. As indicated previously, persons who receive an income below certain levels are not necessarily required to lodge a tax return. This can include persons who derive their income from Government pensions and allowances. Consequently, the coverage of low income earners, including people receiving government pensions and allowances, is incomplete in ATO records. In addition, some

Commonwealth of Australia Government pension, benefit and allowance payments are exempt from income tax and are therefore do not need to be reported in tax returns. As such, the ATO data should be regarded as an indicative though not complete picture of all individual income earned in Australia.

### **Processing of tax returns**

**48** The data presented in this publication were compiled before the processing of all income tax returns for any given year may have been completed. Data provided to the ABS by the ATO are from returns processed up to 31 October, 16 months after the end of the financial year. Any returns lodged after this date are not included. Therefore, for 2012-13, returns processed after 31 October 2014 are not included.

**49** Because of the late lodgement of tax returns in any tax reference year, the data provided in this report underestimates the total taxable income for any given financial year. It is estimated that up to 5-6 per cent of tax returns for any reference year are lodged 3-4 years later.

### **Changes in taxation policy**

**50** The ATO provides information annually in Taxation Statistics and on their website about policy changes that may affect personal income taxation statistics.

**51** For full details of changes for 2012-13, please reference the ATO's guide, What's new this year? 2013. Of particular note:

- the tax-free threshold was increased from \$6,000 to \$18,200.
- some people with adjusted taxable annual income of no more than \$37,000 became eligible for the Low Income Super Contribution (LISC), a government super payment introduced to help low income earners save for their retirement.
- employment termination payments (ETPs) were taxed differently. An \$180,000 cap, based on a person's annual taxable income, was introduced to limit the concessional tax treatment of certain types of ETPs.
- entitlement to the private health insurance rebate was made dependent on one's level of personal income.

## **COMPARISON WITH OTHER ABS INCOME DATA**

**52** The ABS Survey of Income and Housing (SIH) collects information on sources of income, amounts received and the characteristics of persons aged 15 years and over resident in private dwellings throughout Australia. Some data on income earned by children is also captured. Since 2003-04, SIH has been conducted biennially, with the most recent snapshots being the 2009-10, 2011-12 and the 2013-14 income years. Additional SIH estimates of annual income are produced for the survey gap years. Hence, SIH produces both estimates of current income as well as estimates of annual income in respect to the previous financial year. The latter source has been used to create the comparison of SIH household income with ATO personal income data, for 2012-13, shown in Table 1, below. For further information about the concepts, definitions, methodology and estimation procedures used in SIH, please refer to Survey of Income and Housing, User Guide (cat. no. 6553.0).

**53** SIH employee income includes all payments received by individuals as a result of their current or former involvement in paid employment. In addition to the regular and recurring cash receipts captured by SIH, employee income also includes non-cash benefits, bonuses, termination payments and payments for irregular overtime. Details of the composition of employee income derived from ATO sources are provided in Explanatory Note 28 (above).

**54** Table 1 below presents a selection of reasonably comparable income data items, sourced from ATO and the SIH, for 2012-13.

<b>Table 1. SELECTED SOURCES OF INCOME, ESTIMATES OF PERSONAL INCOME AND SURVEY OF INCOME AND HOUSING(a) , 2012-13, AUSTRALIA</b>		
	<b>EoPI (\$b)</b>	<b>SIH (\$b)</b>
Employee income	605.4	621.9
Own unincorporated business income	43.4	43.6
Investment income	76.2	63.7
Superannuation and annuity Income	10.3	28.1

(a) Estimates from the Survey of Income and Housing were collected in 2013-14 and then estimated for the previous 2012-13 year.

**55** Differences in collection methodologies, data collection/extraction periods, definitions, scope/coverage etc., can all contribute to variations between EoPI and SIH income data. For instance, the inclusion of imputation (dividend franking) credits (contributing \$8.9b to EoPI estimates) is one likely cause of the higher estimates observed for the EoPI investment income data. Also, as mentioned before, SIH presents data for low income households whereas the EoPI series may be missing some individuals with low incomes (for example those under the \$18,200 tax free threshold) because they may not need to lodge tax returns. There are also more fundamental differences to note: for example, data differences which arise when comparing estimates from a sample survey of almost 14,200 households (SIH) with administrative records from around 12.7 million individuals (ATO).

**56** Since changes were applied to the reporting superannuation income in 2007 (see paragraphs 37-38), the SIH estimate is thought to provide a more accurate, complete indication of the level of income derived from Superannuation and annuities. However, SIH estimates only include superannuation pension streams and not superannuation lump sum payments. For a fuller estimate of both superannuation pension streams and lump sum payments, Australian Prudential Regulatory Authority's Annual Superannuation Bulletin estimates \$74.5b was paid out to members in both lump sum or pension stream form in the 2012-13 financial year.

## STATISTICAL GEOGRAPHY

**57** All geographic variables are based on an earner's home address at February 2015 as reported in the PIT Client Register. The Client Register is a constantly evolving register which is updated using information from various sources including individual tax returns. As a result, the geographic information is referenced to February 2015 when the PIT data was extracted for this publication.

**58** The Australian Statistical Geography Standard (ASGS), July 2011, is used by the ABS for the collection and dissemination of geographically classified statistics, replacing the former Australian Standard Geographic Classification (ASGC). Individual tax data have been published on an ASGS basis since 2013.

**59** The ASGS is an essential reference for understanding and interpreting the geographic context of statistics published by the ABS and its use enables comparability across datasets. The ASGS has been implemented by the ABS, in part, to obtain more consistency in population size across similar region types, to achieve more data stability and continuity and thereby minimise the need for annual geographic review and change.

**60** Further information - including access to ASGS boundaries which underpin the data presented in this publication - can be accessed from Australian Statistical Geography Standard (ASGS): Volume 1 - Main Structure, July 2011.

### Geographic regions

**61** The statistics in this release are presented according to the Australian Statistical Geography Standard (ASGS), July 2011. Under this classification, statistical areas are defined as follows:

- **Local Government Areas (LGA):** These areas are the spatial units which represent the geographical areas of incorporated local government councils. LGAs include sub categories such as Cities (C), NSW Local Government Areas (A), Boroughs (B), Rural Cities (RC), Towns (T), Shires (S), District Councils (DC), Municipalities (M), SA Municipal Councils (M), SA Regional Councils (RegC) and Qld Regional Councils (R). Unless stated otherwise, data are presented for LGA boundaries at 2014.
- **Statistical Area Level 2 (SA2):** These are general purpose, medium sized areas designed to represent communities that interact socially and economically. SA2s generally have an average population of 10,000 persons, or a population size range of 3,000-25,000 persons, tending towards the lower limit of this range in rural and remote regions. There are 2,214 SA2s Australia wide covering the whole of Australia without gaps or overlaps.
- **Statistical Area Level 3 (SA3):** This geography has been created as a standard for the analysis of ABS data at broader geographies through the clustering of SA2s with similar regional characteristics. Generally, SA3s have a population size range of 30,000-130,000 persons. There are 351 SA3s Australia wide.
- **Statistical Area Level 4 (SA4):** These are the largest sub-state regions within the main structure of the ASGS. They have been primarily designed to output labour force data, reflecting recognised major labour market regions in each jurisdiction. Population size can range from 100,000-300,000 persons, tending towards the lower limit in rural and regional areas. There are 106 SA4s Australia wide.
- **Greater Capital City Statistical Area (GCCSA):** These geographies, comprising 8 capital cities and their wider metropolitan surrounds, are aggregations of SA4s. When combined with 7 Rest of State/Territory regions, they cover the whole of Australia without gaps or overlaps, aggregating directly to all States and Territories. A slight exception: the entire Australian Capital Territory comprises one GCCSA, without a 'Rest of' regional component.

**62** Further information regarding the ASGS regions, including the detailed classification, metadata, maps and downloadable boundary files, can be accessed from the ABS Statistical Geography Portal on the ABS website.

**63** Details of income earners from regions unknown (not stated or indeterminate), or who are lodging returns from overseas, have been classified as such and included in the totals shown. Therefore, the totals shown for Australia may not necessarily be the sum of all state and territory totals.

**64** The sum of sub-state geographies (GCCSA, SA4, SA3, SA2 and LGA) may not equal the state estimates due to some records having inadequate address information to be geocoded. Where a record was unable to be geocoded to an SA2, it has not been included in totals for SA2 right through to GCCSA. However, where possible, these records have been included in the state and Australia totals.

**65** Confidentiality rules have been applied to the estimates to ensure there is no likely risk of individuals in the aggregate statistics presented in this publication. Therefore, the sum of sub-state estimates may also not equal state estimates due to some regions being suppressed through the confidentialising process.

## **ACKNOWLEDGEMENTS**

**66** The ABS acknowledges the continued support provided by the ATO in compiling these statistics.

## **FURTHER INFORMATION**

**67** For further information about these and other statistics, please contact the National Information and Referral Service on (Phone) 1300 135 070 or email [regional.statistics@abs.gov.au](mailto:regional.statistics@abs.gov.au). For example, some of the data published in this catalogue can also be produced for Commonwealth Electoral Division regions, on a consultancy basis. Sub-SA2 data cannot be provided, however, because of confidentiality limitations.

# **Glossary**

## **GLOSSARY**

### **Age**

Age of earner as at 30 June 2013 as reported on the Individual Tax Return.

### **Annuities**

Annuities are guaranteed regular and recurring receipts, generally from an insurance company, the right to which was purchased with a lump sum or regular contributions at some point in the past.

### **Assets**

An entity of a financial or non-financial nature, owned by the household or its members, and from which economic benefits may be derived by holding or use over a period of time.

### **Australian Statistical Geography Standard (ASGS)**

The ASGS came into effect in July 2011 to replace the Australian Statistical Geographical Classification (ASGC). The ASGS provides a common framework of statistical geography used by the ABS to enable the publication of statistics that are comparable and spatially integrated. Its purpose is to outline the conceptual basis of Mesh Blocks, the regions of the main structure and the Greater Capital City Statistical Areas and their relationships to each other. For further information refer to Australian Statistical Geography Standard (ASGS): Volume 1 - Main Structure and Greater Capital City Statistical Areas, July 2011 (cat. no. 1270.0.55.001) and <https://www.abs.gov.au/geography>.

### **Australian Quartile Ranges**

Quartiles are groupings that result from ranking all persons who lodged tax returns in ascending order according to total income, and then dividing them into four equal groups, each comprising 25% of the reference population. In 2012-13, 25% of Australia's population earned less than \$21,400 (lowest quartile),

25% earned between \$21,400 and \$44,940 (second quartile), 25% earned between \$44,941 and \$74,999 (third quartile) and 25% earned over \$75,000 (highest quartile). Australia's quartile ranges (the amount one must earn to fall into a certain quartile) are used to compare the income distributions of regions to Australia, for example, a region which shows greater than 25% of the population earning over \$75,000 shows a region with a greater proportion of high income earners than Australia overall.

## **Deciles**

Groupings that result from ranking all households or persons in the population in ascending order according to some characteristic such as their household income and then dividing the population into 10 equal groups, each comprising 10% of the estimated population.

## **Disposable income**

Gross income less income tax, the Medicare levy and the Medicare levy surcharge i.e. remaining income after taxes are deducted, which is available to support consumption and/or saving. Income tax, Medicare levy and the Medicare levy surcharge are imputed based on each person's income and other characteristics as reported in the survey. Disposable income is sometimes referred to as net income.

## **Dividends**

Dividends may be the main source of income for people who run their own incorporated business. They can be:

- 'franked' which are shares of company profit paid or credited by an Australian resident public company from profits on which Australian company tax has been paid, or
- 'unfranked' which are those shares of company profit paid by an Australian resident company from profits on which Australian company tax has not been paid.

## **Earners**

Persons (including children) who receive income (either positive or negative) from employee income, investment income, own unincorporated business income, superannuation income or other income.

## **Employee**

Employees are defined as persons who worked for a private or public sector employer and received pay for the reference period in the form of wages or salaries, a commission while also receiving a retainer, tips, piece rates or payments in kind. Persons who operated their own incorporated enterprises with or without hiring employees are also included as employees.

## **Employee income**

An employee's total remuneration, whether monetary or in kind, received as a return to labour from an employer or from a person's own incorporated business. It comprises wages and salaries, bonuses, amounts salary sacrificed, non-cash benefits such as the use of motor vehicles and subsidised housing (where valued over certain threshold, see Explanatory Notes at paragraph 6 for more information), and termination payments.

Employee income usually includes all employer social contributions. However, many components of this income are not reported on the Personal Income Tax (PIT) dataset and hence are not included in this publication.

## **Financial assets**

An asset whose value arises not from its physical existence (as would a building, piece of land, or capital equipment) but from a contractual relationship. Financial assets are mostly financial claims (with the exception of shares and value of own unincorporated business). Financial claims entitle the owner to receive a payment, or a series of payments, from an institutional unit to which the owner has provided funds. Examples include accounts held with financial institutions (including offset accounts), ownership of an incorporated business, shares, debentures and bonds, trusts, superannuation funds, and loans to other persons.

## **Geography**

All geographic variables are based on an earner's home address at February 2015 as reported in the Personal Income Tax (PIT) Client Register, and are aligned to the Australian Statistical Geography Standard (ACGS): Volume 1 – Main Structure and Greater Capital City Statistical Areas, July 2011 (cat. no. 1270.0.55.001). See Explanatory Notes at paragraph 57 for more information.

### **Gini coefficient**

A summary measure of inequality of income distribution. For more information see paragraphs 14-17 in the Explanatory Notes.

### **Government pensions and allowances**

Income support payments from government to persons under social security and related government programs. Included are pensions and allowances received by aged, disabled, unemployed and sick persons, families and children, veterans or their survivors, and study allowances for students.

### **Gross income**

Income from all sources, whether monetary or in kind, before income tax, the Medicare levy and the Medicare levy surcharge are deducted.

### **Greater Capital City Statistical Area Structure**

Greater Capital City Statistical Areas (GCCSAs) represent the socio-economic extent of each of the eight state and territory capital cities. They include the people who regularly socialise, shop or work within the city, but live in the small towns and rural areas surrounding the city.

### **High income earner**

High income earners are defined as earners who are earning above the bottom of the highest Australia level quartile range at \$75,000. High income earners are presented as a proportion of the whole income earner population, by region, to identify areas where there are many or few high income earners.

### **Income**

Income consists of all annual receipts, that are received by an individual, and which are reported on an Individual Tax Return.

Gross income (used in this publication) is the sum of the income from all sources before income tax, the Medicare levy and the Medicare levy surcharge are deducted. Other measures of income are Disposable income and Equivalised disposable household income.

### **Income tax**

See Taxes on income.

### **Individual Tax Return**

The annual tax return submitted by individuals to the Australian Taxation Office (ATO).

### **Investment income**

Income received as a result of ownership of assets. It comprises returns from financial assets (interest, dividends), and from non-financial assets (rent).

### **Local Government Area (LGA)**

These areas are the spatial units which represent the geographical areas of incorporated local government councils. LGAs include sub categories such as Cities (C), NSW Local Government Areas (A), Boroughs (B), Rural Cities (RC), Towns (T), Shires (S), District Councils (DC), Municipalities (M), SA Municipal Councils (M), SA Regional Councils (RegC) and Qld Regional Councils (R). Unless stated otherwise, data are presented for LGA boundaries at 2014.

### **Main source of income**

The income source from which the most positive income is received. If total income is nil or negative the main source is undefined. As there are several possible sources, the main source may account for less than 50% of gross income.

### **Mean income**

The total income received by a group of units divided by the number of units in the group.

### **Median age**

That level of age which divides the units in a group into two equal parts, one half having incomes above the median and the other half having incomes below the median.

### **Median income**

That level of income which divides the units in a group into two equal parts, one half having incomes above the median and the other half having incomes below the median.

### **Medicare levy**

Medicare is Australia's universal health care system. The Medicare levy is a specific tax, based on individual income, intended to assist in the funding of this system.

### **Medicare levy surcharge**

The Medicare levy surcharge is a levy, or an additional tax, on Australian taxpayers who do not have an appropriate level of private hospital insurance and who are earning more than the specified income threshold.

### **Negative income**

Income may be negative when a loss accrues to an individual as an owner or partner in unincorporated businesses, rental properties or other investment income. Losses occur when operating expenses and depreciation are greater than gross receipts.

### **Net Capital Gains**

Capital gains cover the sale of assets such as: land, units in a unit trust and other investment properties, company shares, licenses, rights, options and leases; various collectables (paintings, antiques, coins, jewellery and similar) with an original market value of over \$500; and personal use assets such as boats, furniture and electrical goods with an original value of over \$10,000. More ATO information on this topic is available from Capital Gains and Exemptions.

### **Other income**

Income other than employee income, own unincorporated business income, investment income and superannuation income. This includes other current receipts from sources such as child support, royalties, workers' compensation and scholarships.

### **Own unincorporated business income**

The profit/loss that accrues to persons as owners of, or partners in, unincorporated businesses. Profit/loss consists of the value of gross output of the business after the deduction of operating expenses (including depreciation). Losses occur when operating expenses are greater than gross receipts and are treated as negative income.

### **Percentiles**

When all persons in the population are ranked from the lowest to the highest on the basis of some characteristic such as their income, they can then be divided into equal sized groups. Division into 100 groups gives percentiles. The highest value of the characteristic in the tenth percentile is denoted P10. The median or the top of the 50th percentile is denoted P50. P20, P80 and P90 denote the highest values in the 20th, 80th and 90th percentiles. Ratios of values at the top of selected percentiles, such as P90/P10, are often called percentile ratios.

### **Percentile ratios**

Percentile ratios summarise the relative distance between two points in a distribution. To illustrate the full spread of the income distribution, the percentile ratio needs to refer to points near the extremes of the distribution, for example, the P90/P10 ratio. The P80/P20 ratio better illustrates the magnitude of the range within which the income or net worth of the majority of persons falls. The P80/P50 and P50/P20 ratios focus on comparing the ends of the income distribution with the midpoint.

### **Positively skewed income distribution**

The distribution of income tends to be asymmetrical, with a small number of people having relatively high incomes and a larger number of people having relatively lower incomes. The greater the asymmetry, the greater the difference there will be between the mean and the median, and the more positively skewed the income distribution is said to be.

### **Quartiles**

Groupings that result from ranking all people in the population in ascending order according to some characteristic such as their personal income and then dividing the population into four equal groups, each comprising 25% of the estimated population.

### **Rest of State**

Under the Australian Statistical Geography Standard (ASGS), Rest of State is any area not defined as being part of the Greater Capital City Statistical Areas (GCCSAs). In the case of Australian Capital Territory, there is no Rest of State balance.

### **Shares**

A share is a contract between the issuing company and the owner of the share which gives the latter an interest in the management of the corporation and the right to participate in profits. The "value of shares" excludes the value of shares held by individuals in their own incorporated business. Such shares are included in "value of own incorporated business".

### **Statistical Area Level 1 (SA1)**

Statistical Areas Level 1 (SA1s) have been designed as the smallest unit for the release of Census data. SA1s generally have a population of 200 to 800 persons, and an average population of about 400 persons. They are built from whole Mesh Blocks and there are approximately 55,000 SA1s covering the whole of Australia.

### **Statistical Area Level 2 (SA2)**

Statistical Areas Level 2 (SA2s) are part of the ASGS and are general purpose, medium sized areas designed to represent communities that interact socially and economically. SA2s generally have an average population of 10,000 persons, or a population size range of 3,000-25,000 persons, tending towards the lower limit of this range in rural and remote regions. There are 2,214 SA2s Australia wide covering the whole of Australia without gaps or overlaps.

### **Statistical Area Level 2 (SA3)**

Statistical Areas Level 3 (SA3s) are part of the ASGS and have been created as a standard for the analysis of ABS data at broader geographies through the clustering of SA2s with similar regional characteristics. Generally, SA3s have a population size range of 30,000-130,000 persons. There are 351 SA3s Australia wide.

### **Statistical Area Level 4 (SA4)**

Statistical Areas Level 4 (SA4s) are part of the ASGS and are used for the output of a variety of regional data, including the 2011 Census Data. There are 106 SA4s covering the whole of Australia without gaps or overlaps. They are built up from SA1s. In regional areas, SA4s tend to have populations of between 100,000 to 300,000 people. In metropolitan areas, SA4s tend to have larger populations (300,000 – 500,000 people).

### **Superannuation**

A long-term savings arrangement which operates primarily to provide income for retirement.

## **Superannuation/annuity income**

Income from superannuation, annuities and private pensions such as allocated pensions.

## **Taxes on income**

Taxes on income is the sum of personal income tax plus the Medicare levy and Medicare levy surcharge.

## **Trusts**

Any type of managed fund which involves the pooling of investors' money in order for a trustee or professional manager to administer that fund. Examples include listed and unlisted public unit trusts, cash management trusts, property trusts and family trusts used only for investment purposes.

## **Unincorporated business**

A business in which the owner(s) and the business are the same legal entity, so that, for example, the owner(s) are personally liable for any business debts that are incurred. The business may be registered (in their own state) as a sole trader, partnership or firm; however they are not registered with the Australian Securities and Investments Commission and are not legally a company.

# **Abbreviations**

## **ABBREVIATIONS**

A	Area
\$	dollars
'000	thousand
ABR	Australian Business Register
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AC	Aboriginal Council
ASIC	Australian Securities and Investments Commission
ASGS	Australian Statistical Geography Standard
ATO	Australian Taxation Office
Aust.	Australia
B	Borough
b	Billion/s
cat. no.	catalogue number
C	Cities
DC	District Council
EoPI	Estimates of Personal Income
excl.	excludes or excluding
Govt	Government
GCCSA	Greater Capital City Statistical Area
LGA	Local Government Area
M	Municipality/Municipal Council
m	Millions
na	not available
np	not for publication
no.	number
NSW	New South Wales
NT	Northern Territory
OUNB	Own Unincorporated Business
PIT	Personal Income Tax
PAYG	pay-as-you-go tax
Qld	Queensland
R	Regional Councils
RC	Rural cities
S	Shires

SA	South Australia
S/T	State or Territory
SA1	Statistical Area Level 1
SA2	Statistical Area Level 2
SA3	Statistical Area Level 3
SA4	Statistical Area Level 4
SIH	Survey of Income and Housing
T	Towns
Tas.	Tasmania
Unincorp.	Unincorporated
Vic.	Victoria
WA	Western Australia

## Quality Declaration

### INSTITUTIONAL ENVIRONMENT

These estimates of personal income published by the ABS are sourced from the Australian Taxation Office (ATO). The ATO collects personal income tax information from the lodged personal income tax returns as part of their role to manage and shape tax, excise and superannuation systems that fund services for Australians. See information on ATO's roles and responsibilities in About Us.

The ATO compiles a range of data from this collection for release on the ATO website. An extract of personal income tax is provided to the ABS on an annual basis under a Memorandum of Understanding (MOU) between the ABS and the ATO.

2012-13 individual income tax statistics have been provided to the ABS by the ATO as a de-identified Unit Record File.

For information on the institutional environment of the ABS, including the legislative obligations of the ABS, financing and governance arrangements, and mechanisms for scrutiny of ABS operations, please see ABS Institutional Environment.

### RELEVANCE

Personal income data are produced by ABS at regional (small area) level to provide valuable information about regional economies and the income of individuals resident in regions. This annual regional level income data is not available from existing ABS censuses and surveys.

The scope of the personal income tax data includes individuals who submit an individual income tax return to the Australian Tax Office.

The main statistics released from ATO personal income tax data are the number of persons and the amount of income from wages, salaries and other employee related payments (employee income), own unincorporated business, investment, superannuation and annuities, other income (excluding Government pensions and allowances) and total income (excluding Government pensions and allowances). Other income measures such as mean and median income, and income percentile indicators (80<sup>th</sup>, 50<sup>th</sup> for example) are also produced.

Data for source of income categories are aggregated from line items in the individual income tax return, and are selected to conform as closely as possible to ABS Income Standards.

These statistical releases are presented at the following levels of geography of the Australian Statistical Geography Standard (ASGS): Statistical Area Level 2 (SA2); Statistical Area Level 3 (SA3); Statistical Area Level 4 (SA4); Greater Capital City Statistical Area (GCCSA); Local Government Area; and state/territory, Australia.

### TIMELINESS

Individuals may lodge income tax returns in respect of each financial year (1 July to 30 June). The de-identified personal income tax data is provided to the ABS around 24 months after the end of the income

reference year.

Data are taken from an annual extraction from the ATO database as at 31 October each year (16 months after the income year). For example, data for the 2012-13 financial year was extracted as at 31 October 2014 and provided to the ABS in June 2015.

## ACCURACY

Personal income tax data is derived from information contained in personal income tax returns lodged with the Australian Taxation Office. For the purposes of providing statistical measures for the entire population, the ATO database has some limitations in its coverage. Persons who receive less than the taxable income threshold (\$18,200 in 2012-13) are not necessarily required to lodge a tax return. This can include persons who derive their income from government pensions and allowances, and occasional or temporary workers. Consequently, the coverage of low income earners is incomplete in ATO records.

Other streams of income – for example superannuation income received by persons aged 60 years and over – are currently tax exempt. Hence estimates of superannuation and annuities income from the tax file will be understated.

Data are provided by the ATO before the processing of all income tax returns for any given year may have been completed. Data provided to the ABS by the ATO are from returns processed up to 31 October, 16 months after the end of the financial year. It is estimated that approximately an additional 3% of taxpayers lodge their income tax returns in the twelve months after the initial processing cut off each year and approximately 5% of taxpayers lodge their income tax returns in the three years following the processing cut off. This means that data provided to the ABS slightly under-estimates the 'final' number of income earners and the total income earned.

In 2015, the ATO has provided ABS with de-identified Unit Record File data for 2012-13. The regional data have been confidentialised by the suppression of data cells with small values. Additional treatments have been applied where a few records contribute the majority of a region's source of income. In general, no reliance should be placed on regional table cells with small values.

## COHERENCE

Personal income tax statistics can be impacted by changes to tax legislation. For example in 2012-13, the tax reporting threshold rose from \$6,000 in the previous financial year to \$18,200. The ATO outlines any such changes in their annual release of 'Taxation Statistics' on the ATO website.

Data for income categories described above (see Relevance) are aggregated from line items in the individual income tax return, and are selected to conform as closely as possible to ABS Income Standards.

Other ABS sources of income data are:

- the Survey of Income and Housing;
- the Survey of Average Weekly Earnings;
- the Census of Population and Housing; and
- the Australian System of National Accounts.

The ABS Survey of Income and Housing (SIH) also collects information on sources of income, the amounts received and related household characteristics. Some person-level details, for those aged 15 years and over and resident in private dwellings across Australia can also be derived. Data collected from SIH can generally be compared with ATO personal income tax data published in Estimates of Personal Income for Small Areas (cat no. 6524.0.55.002) at the Australia level. A few major points of difference should be noted however.

SIH has a wider coverage of all income earners; it will also capture details for people receiving pensions, or low incomes, or receiving tax exempt superannuation income, who may not be required to lodge tax forms. From another perspective, smaller area estimates are not released from SIH. Being sample survey based it cannot support the production of representative estimates for smaller geographies (such as Statistical Area Level 2, or Local Government Areas). Nonetheless, a comparison of SIH with ATO data for Australia can provide a means of assessing the shape of data movements over time; and generally indicate whether counts are of an expected magnitude and whether the distribution of income across the various sources is similar. Please access the Explanatory Notes for a sample data comparison for 2012-13 data.

The Survey of Average Weekly Earnings (AWE) is a six monthly sample survey of employing businesses. It collects data on average weekly earnings for full-time adult employee jobs, average weekly total earnings for

all employee jobs, and average weekly ordinary time earnings for full-time adult employee jobs. Being sample survey based, AWE cannot support the release of small area (sub state) estimates.

While the ATO mean income levels for Employees can be compared at the Australia level with the 'average weekly total earnings for all employees jobs' from AWE, they will differ partly due to the \$18,200 reporting threshold applied by ATO; some low income earners captured in AWE will be missing from the tax data. Also AWE does not capture details from non employing businesses.

Income data is also available every five years in the Census of Population and Housing. The Census provides income details for households, families and individuals. Data are available for a wide range of small areas.

The Australian System of National Accounts (ASNA) brings together Employee income estimates from multiple sources, including a range of quarterly and annual business surveys. The data are also updated iteratively whereas the SIH and ATO data are more 'point in time' snapshots. Whereas the ASNA mainly sources data from businesses and the government sector, the ATO and SIH data are primarily sourced from individuals; this methodological difference contributes to some variation in estimates across these collections. A comparison of income data from SIH and ASNA sources, and using selected ATO elements, can be found in Survey of Income and Housing, User Guide, 2013-14.

## **INTERPRETABILITY**

Estimates of personal income in this release are gross income before deductions, and before tax and application of the Medicare levy.

ABS releases of personal income tax data provide detailed Explanatory Notes which contain information on scope and coverage, confidentiality, definitional changes, the geographical presentation of the data, classifications and other technical aspects associated with these statistics.

## **ACCESSIBILITY**

2012-13 personal income tax data provided to the ABS from ATO is gradually being released to the ABS website in:

- Estimates of Personal Income for Small Areas (cat no: 6524.0.55.002), with summary main features, downloadable Excel spreadsheets (data cubes) and detailed Explanatory Notes.
- Data by Region, containing regional source of income estimates and Employee income earners data (cross referenced by age, sex, occupation) as downloadable data cubes. Detailed Explanatory Notes are also provided. Data regions can be selected from a map or by using other search functions provided.
- National Regional Profile (cat. no. 1379.0.55.001), containing regional source of income estimates and employee income earners data (cross referenced by age, sex, occupation) as downloadable data cubes. Detailed Explanatory Notes and Glossary of Terms are also provided. NRP data are also loaded to ABS.stat which enables users to customise their tables.

## **Data Cubes (I-Note) - Data Cubes**

The ABS has revised the figures for P80/P50 ratios for all Greater Capital City Areas. The new figures are now available in the Total Income data cube in this release. All other regions and data cubes remain unchanged.